

Message Text

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ORIGIN AF-04

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DRAFTED BY AF/W:HKWALKER:BF

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AF - MR. BLAKE

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R 112300Z APR 74

FM SECSTATE WASHDC

TO AMEMBASSY MONROVIA

C O N F I D E N T I A L STATE 074266

LIMDIS

E.O. 11652: N/A

TAGS: ENRG, LI, US

SUBJECT: SUNOCO TO END ITS PARTICIPATION IN REFINERY

1. SUNOCO INTERNATIONAL PRESIDENT NOBLE, VICE PRESIDENT FOR MARKETING JONES, AND GOVERNMENT RELATIONS OFFICIAL SMITH CALLED ON DEPARTMENT APRIL 11 TO PROVIDE ADVANCE KNOWLEDGE OF SUNOCO'S INTENTION TO SELL ITS INTEREST IN LIBERIAN REFINERY. ITS PARTNER, HYDROCARBON RESEARCH CORPORATION, HAS DECIDED ALSO TO WITHDRAW. SUNOCO INTENDS TO ANNOUNCE DECISION TO GOL IN MONROVIA AS SOON AS APPOINTMENT WITH PRESIDENT TOLBERT CAN BE ARRANGED--PERHAPS IN TWO WEEKS.

2. SUNOCO OFFICIALS' REASONS FOR DECISION ARE FAMILIAR TO EMBASSY'S REPORTS ON SUBJECT. REFINERY HAS COST COMPANY \$5 MILLION TO DATE. ALTHOUGH GOL HAS GRANTED PERIODIC PRICE INCREASES AFTER SOMETIMES DIFFICULT NEGOTIATIONS WITH STEVE TOLBERT, SUBSEQUENT COST FLUCTUATIONS INEVITABLY MORE THAN WIPE OUT WHATEVER NEW PROFIT MARGINS OBTAINED. FOR EXAMPLE, CONFIDENTIAL

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PROFIT MARGIN ESTABLISHED BY DECEMBER PRICE INCREASE MORE

THAN WIPED OUT BY 1ST QUARTER '74 COST RISES WHICH RESULTED IN \$2 MILLION LOSS TO REFINERY. LATEST PRICE INCREASE WILL ALLOW REFINERY TO JUST BREAK EVEN, ASSUMING AS IS HAZARDOUS THAT COSTS REMAIN ROUGHLY LEVEL. MOREOVER, REFINERY SUFFERS HEAVILY DAMAGING CASH-FLOW PROBLEMS, LARGELY AS A RESULT FAILURE OF PUBLIC UTILITIES AUTHORITY TO PAY BILLS WHICH

AMOUNTED TO \$3 MILLION BY END OF MARCH. DECISION TO PULL OUT, HOWEVER, BASED LESS ON THESE FACTORS THAN ON UNACCEPTABLE DEMANDS WHICH SMALL REFINERY OPERATION PUTS ON SUNOCO MANAGEMENT'S TIME AND ON COMPANY'S CRUDE SUPPLY ARRANGEMENTS. SUNOCO OFFICIALS EMPHASIZED THAT THEY THUS ARE NOT AS IN THE PAST THREATENING PULL OUT IN ORDER TO GET HIGHER PRICE. THEY HAVE DECIDED TO WITHDRAW FROM REFINERY FOR OTHER REASONS.

3. WANTING TO PROTECT ITS IMAGE ELSEWHERE IN WEST AFRICA, SUNOCO INTENDS TO PUT AS POSITIVE A LIGHT ON ITS DEPARTURE ANNOUNCEMENT AND DISCUSSIONS WITH GOL AS IT CAN. COMPANY INTENDS OFFER SELL IN FIRST INSTANCE TO GOL. ALTHOUGH OFFICIALS DID NOT PUT PRICE TAG ON ASSETS, THEY REMARKED THAT ORIGINAL \$22 MILLION INVESTMENT PROBABLY NOW HAS EQUIPMENT VALUE OF AROUND \$18 MILLION. COMPANY, HOWEVER, EXPECTS TO TAKE A LOSS. IF GOL UNINTERESTED OR UNABLE TO BUY, SUNOCO HAS SOME HOPE LOCAL PETROLEUM MARKETERS INCLUDING MOBIL AND TEXACO MAY BE INTERESTED, PERHAPS AS A GROUP. SUNOCO WILLING TO BE FLEXIBLE IN OTHER ASPECTS OF WITHDRAWAL, INCLUDING ACCEPTING MANAGEMENT AND TRAINING CONTRACT, BUT IT WANTS TO BE COMPLETELY OUT WITHIN 12 MONTHS AND DOES NOT INTEND INJECT MORE OF COMPANY'S MONEY INTO OPERATION. SUNOCO WILL TRY TO ASSIST BUYER IN FINDING FINANCING, BUT IS UNLIKELY COVER FINANCING DIRECTLY.

COMMENT: ABOVE INFORMATION GIVEN DEPARTMENT IN CONFIDENCE AND OBVIOUSLY SHOULD BE CLOSELY HELD WITHIN EMBASSY. DEPUTY ASSISTANT SECRETARY BLAKE, WHO RECEIVED SUNOCO OFFICIALS IN ABSENCE ASSISTANT SECRETARY EASUM, OBSERVED DECISION TO PULL OUT OF COURSE HAS TO BE COMPANY'S, BUT USG NATURALLY REGRETS WHEN PROMINENT AMERICAN BUSINESS

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IN AFRICA DECIDES TO CLOSE DOWN. BLAKE EXPRESSED HOPE SUNOCO WOULD MAKE RATIONALE OF ITS DECISION CLEAR WHEN NOTIFYING GOL AND CAST DECISION IN MOST POSITIVE LIGHT-- E.G., WILLINGNESS TO ACCEPT TEMPORARY MANAGEMENT AND TRAINING CONTRACT. SUNOCO OFFICIALS AGREED. DEPARTMENT WOULD APPRECIATE EMBASSY'S APPRAISAL OF HOW GOL LIKELY TO RECEIVE DECISION AND WHAT REQUESTS, IF ANY, GOL MAY ASK OF US. KISSINGER

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